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The Honorable William Proxmire  
United States Senate

FEBRUARY 16, 1979

Dear Senator Proxmire:

As requested in your letter of February 14, 1978, we monitored the Department of the Navy's investigation of Anti-Deficiency Act violations by shore activities located at the National Space Technology Laboratories, Bay St. Louis, Mississippi.

On June 7, 1978, we briefed your office on the results of our work. In summary, we reported the following:

AGC 0409

--The Naval Audit Service reported on November 28, 1977, (Report A40777) on the results of its appraisal of shore activities budgeting, appropriation, fund accounting, personnel and other support functions by the Director, Naval Oceanography and Meteorology.

--In its report the Audit Service questioned the use of Operation and Maintenance, Navy, funds to construct a facility at a cost of about \$275,000. The Audit Service believed that the project met the definition of construction as provided in the annual appropriation act, and should have been financed from Military Construction, Navy funds. The Service recommended that the Navy Comptroller review the use of the Operations and Maintenance, Navy, funds to construct the facility and determine whether such use was proper.

--In response to the Service's recommendation the Navy Comptroller reviewed the circumstances, determined that such use was improper, and recommended corrective action.

--Subsequent to the Navy Comptroller's response to the Audit Service recommendation, on December 9, 1977,

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the Chief of Naval Operations directed the Naval Inspector General to investigate the situation and determine the scope of the problem.

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--On December 30, 1977, the Naval Inspector General reported that two construction projects had been improperly funded--the construction of a general office building for the Director, Naval Oceanography and Meteorology (previously identified by the Audit Service), and a support building for the Naval Oceanographic Office. Each project cost about \$275,000.

AGC00336

--On February 10, 1978, the Chief of Naval Operations requested the Oceanographer of the Navy to direct the Naval Oceanographic Office and the Director, Naval Oceanography and Meteorology, to prepare and submit violation reports. Violation reports were directed because the projects in question were constructed with funds not legally available for the purpose in the amounts obligated and expended; therefore, violations of the Anti-Deficiency Act have occurred. The reports were being reviewed by the Navy Comptroller prior to their submission to the Secretary of Defense.

--Based on discussions with Navy officials and tests of the reimbursable order transactions between the Navy and NASA, we believe that the Navy investigation of the alleged Anti-Deficiency Act violations was sufficiently thorough.

At that briefing, your office asked us to provide you a copy of the Navy violation report when available. The Department of Defense report dated January 13, 1979, which includes Navy Violation No. 78-1, is enclosed.

We will be pleased to discuss our report with you or your staff.

Sincerely yours,



R. W. Gutmann  
Director

Enclosure



THE DEPUTY SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

JAN 13 1979

Honorable James T. McIntyre, Jr.  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. McIntyre:

In compliance with the provisions of Section 3679(i)(2), Revised Statutes, there are submitted herewith five reports of violations of the Anti-Deficiency Act (Section 3679, Revised Statutes), and of Department of Defense Directive 7200.1, "Administrative Control of Appropriations." One violation occurred in the Army, two in the Navy, one in the Air Force, and one in the DoD Washington Headquarters Services.

In reviewing the reports, one case (Navy No. 76-1) appeared to have been caused by willful actions. The case was referred to the United States Attorney for Nevada. However, prosecution was declined. In the other four cases, no evidence was found that the violations were willful. They resulted from a misunderstanding of or a failure to comply with regulations. Appropriate corrective action has been taken. Disciplinary action was taken where warranted.

In coordination with the staff of the Office of Management and Budget, we have revised DoD Directive 7200.1 which prescribes the system of administrative control of funds. The Directive was issued on November 15, 1978, after formal approval by the Office of Management and Budget.

Copies of the letters sent to the President of the Senate and to the Speaker of the House of Representatives on these reports of violations are also enclosed, as required by the provisions of the Office of Management and Budget Circular No. A-34.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. W. Durnan".

Enclosures - 3

1. Memo for the President with enclosures
2. Ltr to the President of the Senate
3. Ltr to the Speaker of the H.R.



THE DEPUTY SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

JAN 13 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reports of Violations of the Anti-Deficiency Act

In compliance with the provisions of Section 3679(i)(2), Revised Statutes, there are submitted herewith five reports of violations of the Anti-Deficiency Act (Section 3679, Revised Statutes), and of Department of Defense Directive 7200.1, "Administrative Control of Appropriations." One violation occurred in the Army, two in the Navy, one in the Air Force, and one in the DoD Washington Headquarters Services.

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In coordination with the staff of the Office of Management and Budget, we have revised DoD Directive 7200.1 which prescribes the system of administrative control of funds. The Directive was issued on November 15, 1978, after formal approval by the Office of Management and Budget.

To comply with the provisions of Section 3679(i)(2), Revised Statutes, copies of the reports are also being submitted to the President of the Senate and to the Speaker of the House of Representatives.

A handwritten signature in black ink, appearing to read "C. W. Durney".

Enclosures



THE DEPUTY SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

JAN 13 1979

Honorable Walter F. Mondale  
President of the Senate  
Washington, D. C. 20510

Dear Mr. President:

In compliance with the provisions of Section 3679(i)(2), Revised Statutes, there are submitted herewith five reports of violations of the Anti-Deficiency Act (Section 3679, Revised Statutes), and of Department of Defense Directive 7200.1, "Administrative Control of Appropriations." One violation occurred in the Army, two in the Navy, one in the Air Force, and one in the DoD Washington Headquarters Services.

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To comply with the provisions of Section 3679(i)(2), Revised Statutes, copies of the reports are also being submitted to the President of the United States and to the Speaker of the House of Representatives.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. W. Humphrey".

Enclosures



THE DEPUTY SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

JAN 13 1979

Honorable Thomas P. O'Neill  
Speaker of the House of  
Representatives  
Washington, D. C. 20510

Dear Mr. Speaker:

In compliance with the provisions of Section 3679(i)(2), Revised Statutes, there are submitted herewith five reports of violations of the Anti-Deficiency Act (Section 3679, Revised Statutes), and of Department of Defense Directive 7200.1, "Administrative Control of Appropriations." One violation occurred in the Army, two in the Navy, one in the Air Force, and one in the DoD Washington Headquarters Services.

In reviewing the reports, one case (Navy No. 76-1) appeared to have been caused by willful actions. The case was referred to the United States Attorney for Nevada. However, prosecution was declined. In the other four cases, no evidence was found that the violations were willful. They resulted from a misunderstanding of or a failure to comply with regulations. Appropriate corrective action has been taken. Disciplinary action was taken where warranted. —

In coordination with the staff of the Office of Management and Budget, we have revised DoD Directive 7200.1 which prescribes the system of administrative control of funds. The Directive was issued on November 15, 1978, after formal approval by the Office of Management and Budget.

To comply with the provisions of Section 3679(i)(2), Revised Statutes, copies of the reports are also being submitted to the President of the United States and to the President of the Senate.

Sincerely,

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Enclosures

SUMMARY OF VIOLATIONS

This submission (No. 72) forwards five reports of violations of the Anti-Deficiency Act (Section 3679, Revised Statutes 31 U.S.C. 665). One violation occurred in the Army, two in the Navy, one in the Air Force, and one in the DoD Washington Headquarters Services. In reviewing the reports, one case (Navy No. 76-1) appeared to have been caused by willful action and was referred to the Office of the U.S. Attorney for Nevada. However, the U.S. Attorney declined to prosecute. In the other four cases, no evidence was found that the violations were willful. Two cases were the result of misunderstanding regulations and two cases resulted from a failure to conform to regulatory requirements. Disciplinary action was taken, where appropriate, and no further actions are recommended. Adequate corrective actions have been taken to prevent recurrence.

Army Violation No. 58-76: (\$607.89) (March 19, 1976)

Three separate job orders were issued for incidental improvements to family housing quarters No. 6 at Fort Gordon, Georgia. When the three jobs were completed it was found the total costs of \$607.89 exceeded the \$500 incidental improvement limitation per individual dwelling unit in a fiscal year. Mr. R. L. Fondren, Deputy Director, Directorate of Facilities Engineering; Mr. R. F. Walsh, Chief, Engineer Resources Management Division; Col. P. N. Simon, Acting Chief, Housing Division and Mr. P. L. Gallagher, Chief, Family Housing Branch, Housing Division were held responsible for failing to observe the administrative control procedures required by applicable regulations. Messrs. Fondren, Walsh and Gallagher were orally reprimanded. Col. Simon was orally admonished.

Navy Violation No. 76-1: (\$11,317.30) (June 30, 1974)

The Naval Air Station, Fallon, Nevada, recorded obligations against FY 1972, 1973 and 1974 funds after the close of the fiscal year. After the corrective actions were taken, the FY 1974 allotment under O&M,N was revealed to have been overobligated \$11,317.30. Capt. Wendell B. Muncie, USN (Retired) (deceased), the then Commanding Officer, and LCDR Norman D. Bugg, SC, USN (Retired), then Supply Officer/Comptroller, NAS, Fallon were held responsible. The violation appeared to be the result of deliberate actions to prevent reversion of prior year funds. The death of Capt. Muncie renders the issue against him moot and no further action is required. The case was referred to the U.S. Attorney for Nevada. However, the U.S. attorney declined to prosecute. The file was forwarded to the Public Integrity Section, Criminal Law Division, Department of Justice. Based on the advice of the Department of Justice and after consideration of the comments of Capt. Muncie, LCDR Bugg, their counsel, and the investigation officer, it was decided that a nonpunitive letter of caution should be issued LCDR Bugg.

Air Force Violation No. 77-2: (\$4,201,143.96) (March 31, 1977)

The allocation for the O&M portion of the FY 1977 Family Housing Management Account issued to the Air Force imposed a quarterly "Maintenance Floor." Of the amount cumulatively available only for maintenance thru March 31, 1977, \$3,519,182.88 was obligated and an additional \$681,971.08 was committed for other purposes. Mr. John P. Hunt, Budget Analyst, HQ USAF, failed to take prompt action to either limit obligations and commitments or to obtain additional funding authority from OSD. He said he believed the limit was imposed only on annual totals. Mr. Hunt received an oral admonishment which was made a matter of written record in his Supervisor's Record of Employee.

Navy Violation No. 78-1: (\$275,386.78) (September 3, 1975)  
(\$272,823.00) (February 25, 1977)

The Naval Oceanographics Office (NOO) issued a reimbursable order on September 5, 1975, to the National Aeronautics and Space Administration (NASA) to erect a building at Bay St. Louis, Mississippi, costing \$275,386.78. The order was charged to O&M, N FY 1976/T on the assumption that it was not construction since the Navy did not own the space nor would they own the building when it was completed. This was an erroneous assumption. The order exceeded the \$75,000 limit on minor construction that could be charged to O&M, N. Based on erroneous advice from the Navy Oceanographics Office that such action was legal, the Director, Naval Oceanography and Meteorology, National Space Technology Laboratory, issued a reimbursable order to NASA on February 25, 1977, to erect a building costing \$272,823.00 at Bay St. Louis, Mississippi. This order was charged to O&M, N FY 1977. Rear Admiral J. E. Snyder, Jr., USN (Ret.) the Oceanographer of the Navy, was awarded a nonpunitive letter of censure for being deficient in assuring funds provided were properly administered. Capt. J. E. Ayres, the Commander, NOO; Mr. J. W. Reshew, Relocation Coordinator, NOO; Mr. David F. LaRochelle, Acting Budget Officer, NOO; Mr. W. M. Talbert, Acting Director, Finance Office, NOO; and Mr. R. E. Stewart, Director, Finance Office, NOO, received nonpunitive oral admonishments and instructions for proper funding procedures. Capt. Conley R. Wood, Director, Naval Oceanography and Meteorology, was not disciplined as his actions were based on NOO's advice and assurance regarding the propriety of the action. However, he was informed of proper funding procedures.

DoD/WHS Violation No. 78-1: (\$30,139.51) (June 30, 1976)  
(\$37,858.42) (September 30, 1976)

The Budget and Finance Directorate, DoD Washington Headquarters Services (WHS), receives accounting support from the U.S. Army Military District of Washington (MDW). However, WHS failed to provide MDW with information on fund availability so reports received were merely accumulations of obligations and expenditures. Administrative control was retained by WHS. Transactions affecting the Court of Military Appeals were not carefully monitored by WHS and certain obligating documents were not forwarded to MDW.

for accounting purposes. As a result, the FY 1976 and 1976/T Court of Military Appeals appropriations were overobligated and overexpended. Mr. Carl W. Fisher, Director, Budget and Finance, WBS, and Mr. Jack Arzcomanian, Acting Chief, Finance and Accounts Division, Directorate of Budget and Finance, WBS, received oral reprimands.